

CITY AND COUNTY OF SAN FRANCISCO



GAVIN NEWSOM  
Mayor

DENNIS J. HERRERA  
City Attorney

March 29, 2005

President Michael R. Peevey  
Commissioner Geoffrey F. Brown  
Commissioner Susan P. Kennedy  
Commissioner Dian M. Grueneich  
CALIFORNIA PUBLIC UTILITIES COMMISSION  
505 Van Ness Avenue  
San Francisco, California 94102-3298

Re: PG&E Reliability Problems

Dear President Peevey and Commissioners:

We write to applaud the Commission for its announcement yesterday that it is investigating possible fines and penalties against PG&E for the company's negligence during a December 2003 fire at its Mission Substation that caused a massive outage, and to urge further action to prevent PG&E's persistent failure to address reliability concerns from continuing to threaten the health, safety and welfare of San Francisco residents and businesses.

As you know, last December the City and County of San Francisco (the "City") petitioned the Commission for exactly such an investigation.<sup>1</sup> We additionally urged the Commission to take specific enforcement actions to assure PG&E's compliance with the recommendations of the CPUC's Consumer Protection and Safety Division, including due dates for implementation of corrective measures and regular inspections to ensure that PG&E promptly corrects hazards. In its motion, the City noted that "[i]n view of PG&E's failure to implement corrective measures in the past, the Commission's oversight is necessary to ensure that PG&E takes steps to protect the public health and safety and ensure reliable electric service."

On the evening of March 26, 2005, yet another outage struck San Francisco as a result of still another fire at PG&E's mishap-plagued Mission Substation. Given the serious risk these reliability issues pose to public safety and economic well-being in San Francisco, we urge the

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<sup>1</sup> See attached Motion Requesting Procedures to Ensure Implementation of Consumer Protection and Safety Division Recommendations and to Determine Appropriate Fines and Penalties (dated December 20, 2004) pursuant to Application No. 02-11-017; Application No. 02-09-005; and Investigation 03-01-012.

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Commission to act promptly to ensure that PG&E follows through with changes to its system and procedures that are necessary to prevent any more events of this kind in the future. Saturday evening's incident—like the one before it in 2003, like the one before that in 1996—is especially serious because even apart from problems caused by electric service interruptions, fires present a significant danger to public health and safety in the heavily trafficked area where the Mission Substation is located. You previously found that PG&E could have prevented the 2003 fire if it had followed its own recommendations. The same could well be true for this more recent fire.

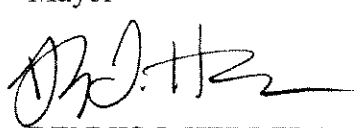
While the City is not aware of any lives lost as a direct or indirect result of Saturday evening's outage, fatalities resulting from mishaps such as these are not unknown in our recent history. Indeed, a pedestrian death at Van Ness Avenue and Greenwich Street in 1998 was attributed to a PG&E power outage that caused traffic lights to fail.

Section 451 of the California Public Utilities Code requires a public utility to “furnish and maintain such adequate, efficient, just, and reasonable service...as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.” In this regard, PG&E is clearly failing. We urge the Commission use the full powers of regulation and investigation accorded it by the California Constitution and State Legislature to protect public safety and assure better, more reliable service from PG&E, and pledge our full support for any such endeavors.

Very truly yours,



GAVIN NEWSOM  
Mayor



DENNIS J. HERRERA  
City Attorney

cc: Members, Board of Supervisors

enclosure

BEFORE THE PUBLIC UTILITIES COMMISSION OF  
THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Revenue Requirements for Electric and Gas Service and to Increase Rates and Charges for Gas Service Effective on January 1, 2003.  (U 39 M)	Application No. 02-11-017 (Filed November 8, 2002)
Application of Pacific Gas and Electric Company Pursuant to Resolution E-3770 for Reimbursement of Costs Associated with Delay in Implementation of PG&E's New Customer Information System Caused by the 2002 20/20 Customer Rebate Program.  (U 39 E)	Application No. 02-09-005 (Filed September 6, 2002)
Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Service and Facilities of Pacific Gas and Electric Company.	Investigation 03-01-012

**MOTION REQUESTING PROCEDURES TO ENSURE IMPLEMENTATION OF  
CONSUMER PROTECTION AND SAFETY DIVISION RECOMMENDATIONS  
AND TO DETERMINE APPROPRIATE FINES AND PENALTIES**

The City and County of San Francisco (San Francisco or City) hereby requests that the California Public Utilities Commission (Commission) establish procedures to ensure implementation of the Consumer Protection and Safety Division (CPSD) recommendations in its report issued October 20, 2004, entitled "Investigation Report on PG&E Mission Substation Fire and Outage – December 20, 2003, San Francisco" and to assess appropriate fines and penalties against Pacific Gas & Electric Company (PG&E).

San Francisco appreciates the work of CPSD in completing its investigation and report and urges the Commission to ensure that PG&E implements the recommendations in the report. The findings in the report are of particular concern to the City because they demonstrate that the extended loss of service experienced by customers in San Francisco

on December 20 and 21, 2003 was avoidable. Had PG&E followed the recommendations that came out of a similar fire at the same location in 1996, the event on December 20, 2003, would have been much less serious. Given the serious risk to the public and the substantial economic impact caused by this event, the Commission must ensure that PG&E follows through with the changes to its system and procedures that are necessary to prevent another event of this kind. In view of PG&E's failure to implement corrective measures in the past, the Commission's oversight is necessary to ensure that PG&E takes steps to protect the public health and safety and ensure reliable electric service. Moreover, the Commission should determine appropriate penalties for PG&E's failure to act reasonably.

### **Background**

On December 20, 2003, a fire occurred at PG&E's Mission Substation that resulted in the complete shutdown of the substation and left more than 100,000 customers in San Francisco without power, including downtown retail stores filled with shoppers on a peak holiday shopping weekend. There was substantial smoke, but the fire that was the source of the smoke was not located for almost five hours.

PG&E did not call the San Francisco Fire Department (SFFD) until two hours after the first signs of trouble at the Mission substation. When SFFD arrived, it could not locate the fire that was the source of the smoke. PG&E later located the source of the fire and again called SFFD which extinguished the fire. Service to all customers was not restored until late in the evening of the next day.

The Commission, acting through the CPSD, initiated an investigation following the incident. On October 20, 2004, CPSD issued its report which concluded that had PG&E implemented recommendations made by the utility after an outage that occurred in 1996, the electricity failure in 2003 would not have resulted in loss of service to more than 100,000 customers at a cost of more than \$4 million. (Report at pages 5-6, 71)

More specifically, soon after undertaking the investigation of the 2003 fire, CPSD found "another fire had occurred at Mission Substation in 1996" and found "strikingly similar contributing factors and root causes [for both fires]." (Report at page 2) CPSD

also found that PG&E had not implemented the recommendations resulting from its own investigation of the 1996 fire. As the CPSD report notes, the "similarities between the 1996 and 2003 fire are important because they demonstrate that PG&E should have anticipated and been prepared for the 2003 fire." (Report at page 63) The CPSD report further stated that at the time of the 1996 fire, PG&E did not take action to improve fire detection in indoor substations as recommended in the earlier report. (Report at page 66). Since the 1996 fire, PG&E's Insurance Department completed surveys in 1997, 1998, 2000, and 2002. Four to six years after the 1996 fire and report, the 2000 and 2002 Insurance Department surveys identified issues in the April 1996 CES Substations Fire Project Report that were not resolved. (Report at page 67)

PG&E ratepayers would have saved millions of dollars if the fire had been detected sooner, resulting in less damage to the substation and a less extensive power outage. PG&E has already paid nearly \$4.7 million dollars for known costs pertaining to substation restoration and reconstruction, third party tests and investigations, and individual and business claims. The known costs do not, however, include third party legal costs or PG&E overtime labor costs to restore power. (Report at page 71) Nor do they represent the total economic costs of a major outage since some costs are unrecoverable and some costs will never be claimed.<sup>1</sup>

PG&E has acknowledged its responsibility for the delays in restoring service. In a December 23, 2003 press release, PG&E stated:

We regret that our failure to get personnel to the Mission substation as quickly as possible may have led to unnecessary inconveniences or disruptions for our customers. . . . The company will take responsibility for its delayed actions and expects to pay all legitimate claims associated with the outage.

In addition to paying claims, PG&E should be held responsible for its failure to establish reasonable systems and procedures that would have prevented the extended outage.

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<sup>1</sup> For purposes of comparison, in response to an outage in San Francisco on December 8, 1998, the Consumer Services Division estimated total economic losses of \$200 to \$400 million dollars. See March 31, 1999 report of CSD in I. 98-12-013 at page 7.

## Discussion

PG&E has a monopoly in the provision of electric distribution service. In order to prevent abuse of this monopoly and to ensure safe and reliable provision of essential services, the California Constitution and Legislature have given the Commission broad powers of regulation and investigation. Section 364 of the Public Utilities Code requires the CPUC to adopt standards for utility distribution systems that provide for high quality, safe and reliable service. Under the Public Utilities Act, the Commission's primary purpose is to "insure the public adequate service at reasonable rates without discrimination." *Pacific Telephone and Telegraph v Public Utilities Commission*, 34 Cal.2d 822, 826 (1950), *Pacific Telephone and Telegraph v Public Utilities Commission*, 62 Cal.2d 634,647 (1965), *City and County of San Francisco v Public Utilities Commission*, 6 Cal.3d 119, 126 (1971). As the Commission has noted, "a utility which provides adequate service is in compliance with laws, regulations and public policies that govern public utility facilities and operations.... adequate service encompasses all aspects of the utility's service offering, including but not limited to safety, reliability, emergency response, public information services and customer service." (D. 00-02-046 in A. 97-12-020, at page 31) Section 451 requires a public utility to "furnish and maintain such adequate, efficient, just, and reasonable service . . . as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public."

This incident, like the one in 1996, is especially serious because in addition to the problems caused by the electric service interruption, fires present a significant danger to public health and safety, particularly in a dense urban area like San Francisco where the Mission Substation is located. The City is not aware of any lives lost or persons seriously injured as a result of the fire or the outage. If this is the case, we are indeed fortunate, but we cannot continue to rely on luck to protect the public. The Commission must ensure that PG&E makes the necessary changes to its procedures and facilities , at least some of which should have been made years ago.

Given the gravity of the consequences to the people of San Francisco, the loss of power on a major shopping day, the loss of sales revenue to the City, the significant inconvenience to the public, the risks to public health and safety posed by PG&E's

neglect, the City of San Francisco requests that the Commission undertake the following steps:

- 1) Establish specific due dates for the implementation of the recommendations in the CPSD October 20, 2004 report.
- 2) Establish a mechanism to monitor PG&E's implementation of the recommendations in the CPSD October 20, 2004 report.
- 3) Require inspections of PG&E's substations to ensure that the requirements and recommendations of the CPSD October 20, 2004 report are implemented in each substation.
- 4) Establish a mechanism to ensure that hazards documented during the inspection of each substation are corrected within a specified time period.
- 5) Due to PG&E's demonstrated and inexcusable negligence in not implementing the recommendations of the 1996 report, initiate a process to assess appropriate fines and penalties against PG&E (not to be paid by ratepayers).

Dated: December 20, 2004

Respectfully Submitted,

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